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Report Highlights:

The report updates information on Vietnam rice sector including rice production and trade. The Government's measures to support rice sector are briefly discussed. The rice PS&D table is also provided.

Includes PSD changes: Yes
Includes Trade Matrix: No
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SUMMARY

Vietnam's rice area is slowly shrinking as farmers shift land to aquacultural, and other more profitable, activities. This is the peak of the Winter-Spring rice harvest in the Mekong River Delta (MRD). Usually domestic rice prices fall during the MRD harvest. However this year, local paddy prices remain high as farmers retain their stocks in anticipation of higher prices.

Over the second quarter of this calendar year, Vietnam's rice exports are mainly going to fulfill Government to Government (G to G) contracts. Post revises Vietnam's rice export estimate down to 3.5 million metric tons (MMT).

The Government of Vietnam (GOV) has implemented, and is discussing additional, measures to purchase Mekong River Delta (MRD) rice supplies and boost rice exports.

PRODUCTION

01/02 Lua Mua crop

Harvest of the 2001/2002 Lua Mua crop was completed in the South. According to statistical data from Ministry of Agricultural and Rural Development (MARD), the total Lua Mua harvested area was 2,243 thousand hectare (THA) and the crop production was 8,030 thousand metric ton (TMT) (see Table 1).

2002's Winter-Spring (W-S) Rice Crop

Total 2002'S W-S planted area is about 2,991 THA of which 1,152 THA is in the North and 1,839 THA is in the South.

In the North

Farmers in the Northern provinces have almost completed planting of 2002's W-S rice crop. According to MARD, as of April 5, 2002, the total W-S rice planted was 1,152 THA. The crop is reportedly growing well.

In the South

According to MARD, the total W-S rice area in the southern provinces is 1,839 THA, a decrease of 20 THA compared with last crop. The area reduction occurred mainly in the MRD, where some rice land was converted to aquaculture (e.g., shrimp) or growing more economic activities like fruit trees or animal husbandry. The total planted 2002 W-S rice area in the MRD is 1,505 THA.

Farmers in the MRD are harvesting a bumper W-S rice crop. As of April 5, 2002, there was 1,312 THA harvested of which 1,154 THA was from the MRD. According to local farmers and officers, the W-S crop yield is higher than last year due to favorable weather, higher crop inputs and use of higher yielding rice varieties. During a recent field trip to the MRD region, we found that crop yields ranged from 5 to 5.50 metric tons per hectare. The crop yield in key rice producing provinces (Can Tho and An Giang) is

even higher. Post estimates average MRD crop yield at 5.35 mt/ha. Therefore, Post increases our MRD crop production estimate to 8,052 TMT.

Drought affects the W-S yield in other Southern regions. A drought is spreading widely in some Southern regions including the South Coastal, Tay Nguyen highland and Southeast regions. According to reports released by MARD the drought is seriously affecting yields. For example, in the Tay Nguyen highland regions more than 10 THA of the W-S rice is affected by the drought and of that 4.6 THA are in danger of being totally lost. In the MRD provinces (including Kien Giang, Ca Mau and Ben Tre) about 18 THA of rice are also suffering from drought. Therefore, Post predicts a slight reduction in the crop yield in these regions.

Despite the drought, Post estimates the increase of paddy production in the MRD will offset any reduction caused by the drought.

Due to the improvement of crop yield in the MRD, Post estimates the crop yield of 2002's W-S rice at 5.17 mt/ha (MARD's projection is 5.20 mt/ha). Post also revises the 2002's W-S rice crop area to 2,991 THA (see Table1).

2002's Summer-Autumn (S-A) Rice crop

Farmers in Southern province are sowing 2002's S-A rice crop. As of March 25, 2002, the total S-A rice sown was 213 THA of which 212 THA in the MRD.

The crop area is shrinking further. According to MARD, the 2002 S-A rice area in Southern provinces will be reduced by 30-35 THA compared with last crop's level. Rice area will be replaced by other crops like corn and soybeans to increase animal feed supplies. To maintain crop production, MARD has advised farmers to grow higher yielding rice varieties. Post keeps our estimate of the crop yield at 3.7 mt/ha, slightly higher than last crop's level. Therefore the total 2002 S-A crop production is estimated at 7,814 TMT (see table 1).

Table 1: Vietnam Rough Rice Areas, Yield and Production (revised)

	2000		2001		2002	
Harvested Area (THa)	Old	New	old	New	Old	New
10th Month	2,394	2394	2,341	2,341	2,305	2,243
Winter-Spring	3,001	3001	3,010	3,010	3,000	2,991
Summer-Autumn	2,265	2265	2,154	2,142	2,142	2,112
TOTAL	7,660	7660	7,505	7,493	7,447	7,346
Yield (MT/Ha)						
10th Month	3.46	3.46	3.50	3.50	3.45	3.58
Winter-Spring	4.96	5.05	5.00	5.00	5.12	5.17
Summer-Autumn	3.65	3.65	3.65	3.63	3.70	3.70
TOTAL	4.10	4.14	4.14	4.14	4.19	4.26

Production (TMT)						
10th Month	8,283	8,283	8,194	8,194	7,952	8,030
Winter-Spring	14,885	15,155	15,050	15,050	15,360	15,463
Summer-Autumn	8,267	8,267	7,862	7,775	7,925	7,814
TOTAL	31,435	31,706	31,106	31,019	31,238	31,308

Source: Based on MARD estimates as revised by Post.

Drought may cause a delay in sowing S-A rice crop

The prolonged drought in some Southern provinces may delay the crop sowing. Crop area might shrink further as the drought leads to salt incursion in some coastal provinces. However, light rains occurred last week in some drought areas (in Phu Yen, Quang Nam, Bac Lieu and Ca Mau provinces) which offered some relief. On the other hand, high W-S paddy prices may encourage farmers to invest more in the S-A rice crop. Therefore Post estimates S-A crop production only slightly reduced from last year's crop's (see Table 1).

Due to crop area reduction in the W-S and S-A rice crops, Post revises Vietnam's CY-2002 crop area down to 7,346 THA from previous estimate of 7,447 THA. Crop production is revised to 4.26 mt/ha therefore the total paddy production is at 31,308 TMT (see Table 1).

PRICE Exchange Rate: Vietnam Dong (VND) 15,260 equal to USD \$1.00 April 17,2002

In the North (eating rice from the South).

Due to the off-season, the rice supply in the North is limited. Normally some rice is moved from the South to the North during this off-season. However, the quantities this year seem larger than normal. That rice movement (South to North) contributes to stabilizing paddy price in the region. Paddy prices in most Northern provinces are about VND 2,350/kg to VND 2,400/kg.

In the South.

Although the 2002 W-S harvest is at peak, paddy prices remain high. The price of 15% moisture paddy is quoted at VND 1,600 -1,650/kg in most MRD provinces. According to traders, the paddy price is likely to increase as farmers want to wait for higher prices.

Price of raw material (dehusked not polished) rice (25% broken) is about VND 2,450-2,500/kg.

Export price.

As of April 17, export prices of 5%; 10%; 15% and 25% rice are rather stable at \$185; \$182; \$175 and \$165/mt (FOB/HCMC); virtually the same as compared with prices quoted last week.

TRADE

Vietnam's rice exports in the first quarter of 2002.

Vietnam's rice exports in the first quarter of 2002 are estimated at 370 TMT, about 58% of the amount shipped in the same period of last year. Major destinations were: Indonesia (143 TMT); Iraq (92 TMT); Cuba (46 TMT); Africa (22 TMT); Malaysia (10 TMT) and Russia (8.5 TMT).

Rice exports in Q-2 are mainly based on G to G contracts.

In a recent field trip (in the last week of March) to the MRD, we observed that rice trade was very quiet. Rice exporters were loading for G to G contracts to Iraq, Indonesia, Cuba. Only few commercial contracts with small export volume had been concluded.

According to Ministry of Trade (MOT), as of the beginning of the second quarter of 2002, total outstanding sales of Vietnam rice are 1.20 million metric ton (MMT), including: 440 TMT to Iraq; 100 TMT to Cuba, 300 TMT to Indonesia, 40 TMT to Russia, 35 TMT to Malaysia, 15 TMT to Iran and about 210 TMT to other markets.

Vietnam has won part of a recent rice international tender of 390 TMT to the Philippine. Vietnam will supply 50 TMT of 25% broken rice at \$183/MT- CFR, FO (Cost and Freight, Free Out) on the period from May to July of 2002. The other tender's winning countries include: India, which will supply 100 TMT of 15% broken rice at \$173/MT and Thailand will delivery 70 TMT of 25% broken rice at \$182.95/MT-CFR,FO.

Vietnam plans to ship 350-400 TMT a month during the April-July period. However, it will not be easy for traders to fulfill their contracts because of low market supplies. Farmers are blamed for retaining rice in anticipation of higher prices. Farmers said they fear that the current drought could lower S-A rice production.

Rice exporters who are currently loading for G-G contracts are also facing high paddy prices. They complain they would lose money if the Government does not give them financial assistance. Some G to G contracts are based on deferred payment (usually over 3 months) while rice exporters have to borrow at high interest rates from commercial banks. The MOT has asked the Central Government to instruct the State Bank and state-owned commercial banks to lower interest rates to rice exporters who are loading for G to G contracts. The MOT is proposing that the interest rate should be as low as the rate offered by the Development Assistance Fund (see Post report VM2004), which is 0.36% / month. However, no decision has been made by the Central Government.

To achieve the 2002 export target (3.5 MMT), Vietnam needs to find additional markets for 2 MMT!

That seems a very difficult, many say unlikely, task. On the other hand, some observers feel the expanding drought might lead to smaller-than-expected exportable supplies.

Post lowers the estimate of Vietnam's 2002 rice exports to 3.5 MMT (see PS&D table).

Rice movement from South to North (and into China?)

Rice is being moved from the South to the North (off-season in the north) and also from the South to the Central (due to regional droughts). As of April 10, 2002, Post estimates 250 TMT have been moved to the North and Central mainly via Cua Lo (in Nghe An province of North Coast region) and Hai Phong ports. Reportedly some of the rice shipped to the North was exported to China, but how much is not clear.

Vietnam expects to sell more rice to China.

Since becoming a WTO member, China has removed rice import quotas. Although Vietnam is not a WTO member, China has granted preferential status to some Asian countries including Vietnam. As a result, Vietnam expects to sell more rice to China -- especially given low transportation costs (i.e. border trade). The Ministry of Trade has asked rice exporters to actively develop new markets in China and several African countries.

Vietnam and Angola signed a MOU.

In a recent trip to African countries, including Angola, Mozambique and South Africa, the Vietnam Ministry of Trade signed a Memorandum of Understanding (MOU) with the Government of Angola to export 50-100,000 metric tons of rice in 2002, and then discuss future transactions.

Table 2: Vietnam Rice PS&D Table

PSD Table						
Country	Vietnam					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Area Harvested	7,539	7,660	7,505	7,493	7,447	7,346
Beginning Stocks	1,000	344	978	978	843	843
Milled Production	20,818	20,926	20,530	20,473	20,617	20,663
Rough Production	31,542	31,706	31,106	31,020	31,238	31,308
MILLING RATE (.9999)	6,600	6,600	6,600	6,600	6,600	6,600
TOTAL Imports	40	20	0	20	0	20
Jan-Dec Imports	40	20	0	20	0	20
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	21,858	21,290	21,508	21,471	21,480	21,526
TOTAL Exports	4,000	3,370	4,000	3,600	3,800	3,500
Jan-Dec Exports	4,000	3,370	4,000	3,600	3,800	3,500
TOTAL Dom. Consumption	16,958	16,942	17,028	17,028	17,000	17,000
Ending Stocks	900	978	480	843	680	1,026
TOTAL DISTRIBUTION	21,858	21,290	21,508	21,471	21,480	21,526

POLICY

Government set measures to purchase rice in the MRD.

Before drought concerns surfaced, the Government was worried about low prices. To avoid excessively low prices and to protect MRD rice farmers, Deputy Prime Minister Nguyen Cong Tan met with representatives of relevant ministries including MARD, MOT, MOF, the Government Price Committee, Vinafood 1, Vinafood 2 and Vietnam's Food Association to discuss measures to support the purchase of rice. After the mid-March meeting, 5 measures for purchasing paddy and boosting rice exports were introduced:

- (1) The Government urged exporters to achieve the export target (3.5 million metric tons) by expanding existing markets and developing new markets in China and Africa.
- (2) The State Bank and Vietnam Commercial and Trade Bank (VIETCOM Bank) were assigned to give loans to exports loading rice for Indonesia under the G to G contracts without requiring a irrevokable Letter of Credits.
- (3) To insure a certain profit for rice farmers, the Government guaranteed to purchase all rice, sold in commercial markets, if the paddy price falls below VND 1,300/kg.
- (4) The Ministry of Trade and Vietnam's Food Association (VFA) are responsible for controlling rice export prices (minimum export prices are set by VFA) and developing a mechanism that prevents rice exporters from dumping Vietnam rice export prices.
- (5) To assist farmers not to sell their paddy at unfavorable prices, MARD is assigned to coordinate MOT, and People Committee of key rice producing provinces in facilitating farmers to store their paddy (or rice) in state-owned warehouses. Farmers can use their stocks as a mortgage for borrowing loan from banks. Vietnam State Bank is assigned to lend to farmers for helping them in retaining their paddy in anticipation of higher prices. To increase quality of export rice, the rice sector is also urged to shift rice seed structure and to improve processing technology.

The Government has not needed to intervene as the price of the W-S paddy in the MRD is at a high level (between VND 1,600-1,700/kg).

MOT proposes measures to boost export.

The MOT has submitted to the Government a proposal of measures to boost exports. Accordingly, it suggests the Government to continue giving financial assistance to enterprises, business who buy ag products from farmers. Enterprises or any economic agencies having purchasing contracts with farmers should be given priority in joining governmental export contracts and be partly subsidized for losses.

Exports encouraging policies like export bonus, export awarding program continue to be applied in 2002. The Ministry also asked the Government to add textile-garment and fishery products to the list of commodities that are entitled to the export bonus policy.

Enterprises and businesses who supply materials to exporters are also given tax preferences including amendment of cooperate tax. The Government should increase investment in processing industries including coffee processing sector.